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Before the FEDERAL COMMUNICATIONS COMMISSION Washington, D.C. 20554

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In the Matter of)	JUN 2 1 1995
Amendment of Section 2.106 of the)	FEDERAL COMMUNICATIONS COMMISSION ET Docket No. 95-18 OFFICE OF SECRETARY
Commission's Rules to Allocate Spectrum at 2 GHz for Use by)	RM-7927
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REPLY COMMENTS OF CELSAT AMERICA, INC.

CELSAT AMERICA, INC.

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Dated: June 21, 1995

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SUMMARY

The overwhelming majority of twenty-one commenters in this proceeding support the Commission's proposal to domestically allocate the 1990-2025 MHz and 2165-2200 MHz bands to MSS (the "new MSS Frequencies"). Most commenters agree that the Commission must expeditiously allocate the new MSS Frequencies to maintain the leadership of the United States in satellite and personal communications services, increase competition in the marketplace and spur the creation of domestic high technology jobs.

Although a few commenters raise concerns about the affects of the new allocation on their existing 2 GHz operations, the Commission can allocate the new MSS Frequencies and accommodate the concerns of the 2 GHz incumbents. Specifically, the Commission should reject its proposal to relocate broadcast auxiliary service ("BAS") incumbents to the 2110-2145 MHz because it would be disruptive to fixed microwave incumbents, too costly for new MSS entrants and unnecessary. Rather, the Commission should adopt its alternative proposal to require BAS incumbents to adopt more spectrally efficient equipment and to continue operations within their existing spectrum at 2025-2110 MHz.

The timely domestic allocation of new MSS Frequencies as a GSOonly service will allow Celsat's Hybrid Personal Communications Service ("HPCS") satellite/cellular system to assist the PCS license winners, especially "designated entities," in providing early coverage in the less populated portions of their service areas. As a new MSS licensee, Celsat proposes to develop a dual band terminal unit which is capable of allowing access to both the terrestrial PCS system and Celsat's satellite network. This proposed system will increase the competitiveness of the PCS service providers and significantly reduce the initial infrastructure costs. Celsat submits that in order for its service to be most beneficial to the PCS license winners, the new MSS Frequencies should be allocated and awarded in 1995 for a satellite to be constructed and launched by 1998.

Celsat notes that the parties supporting the proposed allocation but recommending that the Commission delay its implementation are primarily commenters with Big LEO licenses or pending applications. Unlike MSS providers like Celsat and COMSAT, Big LEOs require additional international approvals at the WRC-95 and WRC-97 before their systems can be fully operational. In addition, it is in the interest of the Big LEOs applicants to establish their position in the U.S. market before the entry of new competitors because doing so would make it more difficult for those prospective competitors to become effective in the market. The public interest would not be served by such an artificial impediment to competition. Therefore, Celsat submits that the Commission should reject the requests of the Big LEO commenters to delay the subject allocation.

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REPLY COMMENTS OF CELSAT AMERICA, INC.

Celsat America, Inc. ("Celsat"), by its attorneys, submits these reply comments in the above-captioned docket.

INTRODUCTION

Twenty-one parties filed comments in response to the Federal Communications Commission's ("Commission") Notice of Proposed Rule Making ("NPRM") to allocate additional spectrum for Mobile Satellite Services ("MSS").

The NPRM proposes to allocate the 1990-2025 MHz (Earth-to-space) and 2165-2200 MHz (space-to-Earth) bands to MSS (the "new MSS Frequencies"). In addition, the NPRM proposes to allocate these bands for both geostationary ("GSO") and non-

geostationary (low-Earth orbit, or "LEO") satellites, and seeks comment on whether the Commission should reserve the spectrum exclusively for GSO or LEO services.

REPLY COMMENTS

I. Most Commenters Support the Expeditious Allocation of the New MSS Frequencies

Only one party among the 21 commenters is entirely opposed to the NPRM's proposal to allocate the new MSS Frequencies, while two additional parties support the allocation of only certain bands within the proposed 70 megahertz allocation. Other parties support the allocation but recommend that the Commission delay its implementation. The supporting parties recognize that additional MSS

See Comments of the American Petroleum Institute ("API").

See Comments of Southwestern Bell Mobile Systems ("SBMS") (supporting the allocation of only the 40 megahertz at 1990-2010 MHz and 2180-2200 MHz) and Comments of BellSouth, et al. ("BellSouth") (supporting the allocation of all the new MSS Frequencies except the 20 megahertz within the 1970-1990 MHz band because this allocation would devalue the PCS licenses dedicated to "designated entities"). Regarding BellSouth's contention, Celsat notes that its proposed Hybrid Personal Communications Services ("HPCS") system will reduce build out costs for designated entities and thereby improve their competitive position relative to the more established PCS licenses in the "A" and "B" PCS blocks. See Section III, infra.

See Comments of Loral/Qualcomm Partnership, L.P. ("LQP"); Comments of The Association for Maximum Service Television, Inc. ("MSTV"); Comments of TRW Inc. ("TRW"); Comments of Motorola Satellite Communications, Inc. ("Motorola"); Comments of Iridium, Inc. ("Iridium"); and Comments of Constellation Communications, Inc. ("Constellation").

spectrum will promote competition in the mobile telecommunications marketplace, create high technology domestic jobs and help to maintain the leadership of the U.S. in the satellite communications industry.⁴ Accordingly, Celsat joins the solid majority of commenters who support the allocation of the new MSS Frequencies.

A. The Commission Can Allocate the New MSS Frequencies and Accommodate the Concerns of the 2 GHz Incumbents

The lone opposing commenter, API, predicates its opposition on the mistaken conclusion that the allocation would disrupt the existing operations of its member-licensees. API represents a large number of incumbents in the 2110-2145 MHz band and one of the NPRM's proposals involved relocating Broadcast Auxiliary Service ("BAS") incumbents to that band.⁵ Many other parties, including both 2

See Comments of COMSAT Corporation ("COMSAT"); Comments of Hughes Telecommunications and Space Company ("Hughes"); Comments of Personal Communications Satellite Corp. ("PCAST"); Comments of GE American Communications, Inc. ("GE"); Comments of UTC, The Telecommunications Association ("UTC"); Comments of Newcomb Communications, Inc. ("Newcomb"); and Comments of The Association of American Railroads ("AAR").

API also contends that the new MSS Frequencies should not be allocated because the petitioners have not submitted detailed marketing studies demonstrating a demand. Celsat submits that the Commission is not charged with second-guessing the business strategies of parties, but rather is limited to determining whether an allocation would serve the public interest, encourage the provision of new technologies and services to the public and ensure a rapid, efficient, world-wide and nationwide wire and radio communications service. 47 U.S.C. §§ 151, 158.

GHz incumbents and potential MSS providers, share API's opposition to the Commission's proposal to relocate BAS incumbents to the 2110-2145 MHz band.⁶

Celsat also opposes the Commission's proposal to relocate the BAS incumbents to the 2110-2145 band but submits that there are far less drastic means for the Commission to address API's concern regarding relocating BAS incumbents to their members' band of operation than rejecting the subject allocation. Instead, Celsat recommends that the Commission require BAS incumbents to adopt more spectrally efficient equipment and to continue operations within their existing spectrum at 2025-2110 MHz.⁷ Celsat notes that even a BAS-affiliated commenter, the Society of Broadcast Engineers ("SBE"), endorsed the idea of BAS incumbents adopting more spectrally efficient equipment and noted that it would be a much less costly alternative than relocation.⁸ In addition, both Celsat and COMSAT explained in detail in their comments how their systems share the technical capability to coexist with the fixed microwave incumbents without causing or being susceptible to

See Comments of the Association of Public Safety Communications Officers International, Inc. ("APCO") at 2-5.

⁷ Celsat Comments at 7-10.

⁸ SBE Comments at 8.

interference.⁹ Accordingly, Celsat submits that the Commission can allocate the new MSS Frequencies and accommodate the concerns of the 2 GHz fixed microwave and BAS incumbents.

Similarly, SBMS supports allocating the 40 megahertz at 1990-2010 MHz and 2180-2200 MHz, but opposes allocating the entire 70 megahertz of the new MSS Frequencies because it alleges that such an allocation would require a harmful relocation process of its common carrier microwave paths used for the delivery of cellular service to rural subscribers. Specifically, SBMS contends that the proposed relocation from 2160-2180 MHz to 6 GHz, would be costly and possibly degrade the quality of service to its mobile telecommunications customers in rural markets.

As indicated above, these fixed microwave users need not be relocated. Fixed microwave relocation (even it were ultimately deemed necessary) would not be costly to SBMS or harm the quality its cellular network if the Commission adopts its proposal to extend its existing relocation policy to the new MSS Frequencies. The Commission's existing 2 GHz relocation policy requires new entrants to find comparable spectrum and incur the costs of relocation to such spectrum for 2

Celsat Comments at 9-10, COMSAT Comments at 8-15, 22-24.

SBMS Comments at 2-3.

¹¹ Id. at 3.

GHz incumbents.¹² Therefore, SBMS's opposition to the allocation of some of the new MSS Frequencies due to concerns about relocation costs and service degradation is without merit.

Celsat notes that SBMS and BellSouth were the only two parties which requested that the Commission allocate a smaller amount of spectrum to the new MSS Frequencies. Because both parties are incumbent Commercial Mobile Radio Service ("CMRS") providers, Celsat submits that it is in their interest to protect their systems by limiting the capacity of their potential competitors.

Nevertheless, most commenters agree that the new MSS entrants will require the full 70 megahertz allocation to implement competitive systems.

In addition, the new MSS Frequencies would provide subscribers with immediate access to competing mobile telecommunications services in all of the rural service areas in the United States. Therefore, contrary to SBMS's assertion, adoption of the new MSS Frequencies would serve the mobile telecommunications needs of rural America and promote competition in that geographic market.

Celsat supports the view of TRW that PCS licensees, rather than MSS licensees, should be required to pay the cost of relocating the BAS and microwave incumbents because PCS was the initial displacing service provider, i.e., the allocation of the 1970-1990 MHz bands for PCS created the need to allocate the 1990-2025 MHz band for MSS. Therefore, for purposes of the Commission's relocation of the affected 2 GHz bands, the relevant "new entrants" are the PCS providers, not the new MSS providers.

B. There is No Rational Basis for Delaying the Domestic Allocation of the New MSS Frequencies

Most of the commenters that support the allocation of the new MSS Frequencies but recommend that the Commission delay its implementation are incumbent MSS licensees or pending applicants for the 1.610-1.6265/2.4835-2.5 GHz MSS frequencies ("Big LEOs"). The Big LEO commenters seek to delay this domestic allocation proceeding by arguing that because they anticipate that their systems will be global and thus will need international allocations, all users of these frequencies will propose systems that require non-U.S. approval.

For example, LQP states that the Commission should delay allocating the new MSS Frequencies until at least WRC-95 is concluded and that "[n]o entity would be harmed by this approach because the current date of entry into force for the international allocation is 2005." ¹³

This assumption is wrong. Celsat is proposing a U.S. system which could become fully operational upon receiving authority from the U.S. As the NPRM noted, 55 of the proposed 70 megahertz of the proposed new MSS Frequencies were originally allocated for Region 2 and worldwide MSS use at the WARC-

¹³ Comments of LQP at 8.

92.¹⁴ At the WARC-92, the U.S. delegation waged a difficult but ultimately successful fight for the Region 2 allocation in 1996. If such achievements abroad are undermined domestically due to regulatory delays, the credibility of future U.S. WRC delegations -- including WRC-95 -- could be tarnished and the achievements of U.S. objectives made more difficult. Thus, the pendency of the WRC-95 should cause the Commission to accelerate the proposed allocation so that it can fulfill its representations from WRC-92 before WRC-95.

In addition, although the WRC-95 will review MSS-related matters, such as the MSS feeder links, ¹⁵ the WARC-92's MSS allocation and the Commission's domestic MSS allocation in this proceeding will not be in dispute. Indeed, as Motorola states in its comments, even the MSS feeder links issue does not have to be addressed in this proceeding because the Commission is addressing it in other fora. ¹⁶ Further, Celsat's proposed feeder links will be readily accommodated within existing FSS K band spectrum and are not disruptive to incumbents.

See Notice of Proposed Rulemaking, ET Docket No. 95-18, FCC 95-39, at paras. 1-2 (released January 31, 1995) ("Notice").

See generally, Second Notice of Inquiry, IB Docket 94-31, FCC 95-36 (released January 31, 1995) ("Second Notice of Inquiry"). The WRC-95 will primarily involve the technical, regulatory and procedural constraints associated with additional allocations below 1 GHz and between 1 and 3 GHz.

Motorola Comments at 23 (noting that the Commission is addressing the availability of MSS feeder links in the LMDS/FSS 28 GHz band proceeding, Second Notice of Proposed Rule Making, 9 FCC Rcd 1394 (1994), and in its preparation for the WRC-95. (Second Notice of Inquiry, supra.).

Delay of the proposed allocation will only solidify the Big LEOs U.S. market position before the new MSS Frequencies become available to new domestic entrants. It would also deprive new PCS licensees from designing their systems in a manner that takes advantage of the MSS service to cover rural or other unserved areas within their markets. This will force the PCS licensees to expend limited capital to expand their networks before the demand for their service justifies the investment. As a result, their financial condition will be disadvantaged.

The Commission has recognized that it is in the public interest to expeditiously implement and license MSS.¹⁷ When the Commission removed the 1970-1990 MHz band from potential consideration for MSS in GEN Docket 90-314 in June 1994, the Commission ensured potential MSS providers that it would "initiate a proceeding to investigate . . . additional allocation possibilities in the near future." Nevertheless, the Commission has already delayed the comment filing cycle of this proceeding two months primarily due to the insistence of the Big LEO commenters. Therefore, Celsat strongly recommends that the Commission reject

See In the Matter of Amendment of the Commission's Rules to Establish New Personal Communications Services, Memorandum Opinion and Order, GEN Docket No. 90-314, 9 FCC Rcd 4957, 4996 (1994).

¹⁸ Id.

See, e.g., AMSC's Request for an Extension of Time to File Comments in ET Docket No. 95-18 and supporting Comments of TRW and Motorola.

the requests to delay the subject allocation submitted by parties with an interest in establishing "beachhead" prior to the entry of new innovative competitors.

II. Competitive Bidding Should Be Avoided by Engineering Solutions Rather Than the Adoption of the Big LEO Financial Qualification Standards

None of the commenters in this proceeding support auctioning the new MSS Frequencies. In its comments, Celsat supported the Commission's proposal to adopt Code Division Multiple Access ("CDMA") as the access method for the new MSS Frequencies for a variety of detailed technical reasons and because it would avoid mutual exclusivity and thereby expedite the licensing process. Celsat submits that Congress enacted the Commission's auction authority to encourage the rapid delivery of service to the public by providing an efficient means of resolving mutual exclusivity among applicants.²⁰ For this reason, Congress required that nothing in the competitive bidding provisions of the Communications Act of 1934, as amended "shall be construed to relieve the Commission of the obligation in the public interest to continue to use engineering solutions . . . to avoid mutual exclusivity in application and licensing provisions." Therefore, Celsat supports the

See 47 U.S.C. § 309(j)((3)(A) (requiring the Commission, in identifying classes of licenses to be issued by competitive bidding, to promote "the development and rapid deployment of new technologies, products, and services for the benefit of the public, including those in rural areas, without administrative or judicial delays").

⁴⁷ U.S.C. § 309(j)(6)(E).

Commission's proposal to adopt CDMA because of its technically superior features and because it would fulfill the Commission's statutory obligation to find engineering solutions to avoid mutual exclusivity and thereby promote the rapid deployment of new technologies and services to the public, including rural areas, while avoiding the administrative and judicial delays associated with mutually exclusive applications.²²

On the other hand, Celsat disagrees strongly with the recommendation of GE American Communications, Inc. ("GE") that the Commission avoid mutual exclusivity (and, by extension, auctions) by adopting the Big LEO financial qualification standard.²³ GE argues that the Commission should adopt the Big LEO standard as a mechanism to screen financially unqualified applicants for the new MSS Frequencies and thereby reduce the potential for mutual exclusivity. Celsat submits that there is no need to apply the Big LEO financial qualification standard to MSS/GSO systems if the Commission adopts CDMA as it proposed in this proceed-

Whether standardization of CDMA is required cannot be established conclusively until the Commission has the actual number of applicants before it. Thus, the Commission may wish to revisit CDMA/TDMA question once it sees whether all qualified applicants can be licensed without requiring CDMA. For this reason as well as to get MSS service to the PCS industry at its critical start-up point, and to the public as soon as possible, Celsat reiterates its request that the Commission establish a quick cut-off for applicants in this band.

The Big LEO financial qualification standard requires that applicants have the current financial ability to meet the costs of construction, launch and the first year of operations. Report and Order, CC Docket No. 92-166, 9 FCC Rcd 5936 at 5948-5954 (1994) ("Big LEO Order").

ing. Moreover, it is too early in the proceeding to adopt a noncontingent financial showing requirement because doing so would force applicants to maintain noncontingent commitments for an impractically long period as the Commission concludes this proceeding, finalizes the new MSS service rules, and encounters delays engendered by WRC-95.²⁴

If the Commission adopts its proposal to adopt CDMA as the access method for the new MSS Frequencies, CDMA would allow numerous applicants to share limited spectrum resources. Thus, in the new MSS Frequencies context, the grant of a MSS/GSO license to an applicant that has not yet finalized its financing would not prevent another applicant from going forward which, in turn, eliminates the rationale for the stringent financial showing advocated by GE. The new MSS

The Big LEO financial qualification standard was originally adopted in the domestic satellite ("domsat") context because the number of applications to implement domsats regularly exceed the number of available orbital locations, and therefore occupation of an orbital location by an underfinanced licensee resulted in the delay of service to the public. Licensing Space Stations in the Domestic-Fixed Satellite Service, 50 Fed. Reg. 36071 (Sept. 5, 1985) ("1985 Processing Order"). The Big LEO/domsat standard is significantly more strict than the Commission's standard for services in which the grant to an ultimately unsuccessful licensee would not prevent another applicant from going forward, such as the Radiodetermination Satellite Service ("RDSS"). Amendment of the Commission's Rules to Allocate Spectrum for, and to Establish Other Rules and Policies Pertaining to, a Radiodetermination Satellite Service, 104 FCC 2d 650 (1986) ("RDSS Order"). The Commission applied the domsat policy to Big LEOs because, after adopting both TDMA and CDMA access methods, it determined that there could be more applicants than available slots. Big LEO Order at 5948-5949. In addition, the Commission was concerned about spectrum warehousing by the Big LEO applicants. Big LEO Order at 5949.

Frequencies would therefore be more analogous to the RDSS service than the domsat or Big LEO services. Accordingly, Celsat submits that it would be inappropriate to extend the domsat/Big LEO standard to the new MSS Frequencies.

In addition, Celsat submits that there are other more narrowly tailored means of addressing the Commission's concerns about spectrum warehousing. First, the Commission can adopt geographical coverage requirements for the new MSS service providers. Second, the Commission can adopt Celsat's proposed spectrum ownership restrictions applicable to substantially similar MSS services which would prevent anti-competitive spectrum hoarding. Specifically, Celsat recommended that the Commission restrict entities with controlling interests in licenses in the Big LEO and 1.544/1.6455 GHz MSS bands from holding controlling interests in licenses in the new MSS Frequencies. Without such regulatory safeguards, certain entities may seek to acquire the new MSS Frequencies for the purpose of achieving dominant market position and to stifle competition from new entrants.

TRW requests that the Commission mandate all systems to provide international coverage. TRW comments at 25. Celsat submits that TRW's request should be rejected because its proposed MSS/GSO HPCS system will offer an innovative domestic-only service and it should not compelled to function as an international Big LEO system.

²⁶ Celsat Comments at 4-6.

²⁷ **Id**.

III. At Least 40 Megahertz of the New MSS Frequency Should Be Reserved for GSO Satellite Services to Provide for the Introduction of Innovative Domestic MSS Services

The NPRM requested comment on whether the new MSS Frequencies should be limited to exclusive GSO or LEO use. Ericsson Corporation ("Ericsson"), TRW, COMSAT, Newcomb and Motorola request that the Commission not limit the new MSS Frequencies to any particular orbital configuration.²⁸ In addition, Teledesic and Constellation recommend that the Commission limit use of the new MSS Frequencies to non-GSO systems because non-GSOs have wider coverage capabilities.²⁹

Because the Commission already has allocated approximately 33 megahertz of MSS spectrum for exclusive LEO use at 1.6/2.4 GHz, Celsat strongly opposes granting access to the new MSS Frequencies for LEO use. Celsat recognizes that the Commission may wish to authorize a mixed orbital configuration framework in the new MSS Frequencies in order to provide spectrum for Mid-Earth Orbiting ("MEO") satellite systems such as INMARSAT-P. Therefore, Celsat supports allocating at least 40 megahertz of the new MSS Frequencies for exclusive

See Comments of Ericsson at 1, Comments of TRW at 25, Comments of Newcomb at 2-4, COMSAT Comments at 32-33 and Comments of Motorola at 10-14.

See Comments of Teledesic at 6 and Comments of Constellation at 3.

GSO use.³⁰ Such a decision would, together with the adoption of attribution and spectrum ownership rules, ensure a diversity of MSS service providers and encourage technological innovation and increased competition in the delivery of MSS services.³¹ Furthermore, selecting this 40 megahertz for GSO use out of the already WRC-approved 55 megahertz would eliminate any argument to delay Commission action on the subject allocation until WRC-95. In addition, Celsat notes that if all proposed systems were CDMA, then all of the mixed orbital configuration systems could operate together across the full 70 megahertz.³²

In addition, Celsat rejects the assertions by Teledesic and Constellation that non-GSO systems are inherently superior to GSOs because of their international coverage capabilities. First, other than systems employing satellite crosslinks, none of the proposed MSS systems offer global service without terrestrial interconnection. GSO systems also provide global service by interconnecting multiple satellites and satellite systems. Moreover, international coverage through a Big LEO configuration comes at an extremely high cost which must be passed on to the consumer. As a domestic MSS/GSO service, Celsat's proposed system will

Thus, non-GSO systems would have a total allocation of 63 megahertz, which is far more than they are likely to utilize.

³¹ 47 U.S.C. § 309(j).

COMSAT, however, takes the position that CDMA should not be mandated by the Commission. See COMSAT comments at 33-34.

better serve the public interest by providing an innovative and very low cost complementary service to over 300 million potential customers with a single satellite.

Therefore, GSOs will be a far more efficient, less costly MSS service than the very expensive and complex non-GSO MSS services promoted by others.

In addition, Celsat rejects the contention of LQP that Celsat's proposed GSO HPCS system would constitute an inefficient use of the spectrum because existing dual mode phones can be used for PCS/cellular and MSS operations. Celsat's proposed terminal units will be broader band and technically more advanced (including high speed data and fax as well as compressed video capabilities) than any existing dual mode phones. Celsat's HPCS system will also allow the new MSS frequencies to be used to provide both terrestrial and satellite communications. Further, because Celsat utilizes a very large (20 meter) dish, it can use small, low-powered, dual-mode, handheld portable satellite/PCS terminal units which will likely cost less than Big LEO/cellular/PCS cross-band hand-held units.

PCS licensees will be the real beneficiaries of Celsat's hybrid proposal. MSS operators may distribute dual mode phones and resell PCS service, thereby providing their customers coverage. However, they can only provide the PCS mode of service where a PCS network has been built. Construction of the thousands of microcells necessary to cover the urban, suburban and then rural expanses in which

Comments of LQP at 23-24.

MSS is likely to be used will be an expensive and time-consuming process. Celsat's proposal will permit PCS licensees lacking access to capital to avoid the need to construct facilities simply to produce coverage where there is inadequate demand to justify the investment.³⁴ PCS licensees could authorize MSS licensees to provide coverage through MSS frequencies transmitted terrestrially and only build PCS transmission facilities when the demand warrants the investment.

Therefore, Celsat's HPCS system would serve the Commission's statutory obligation to ensure the economic opportunity of the "designated entities" (small businesses, women- and/or minority-owned businesses and rural telcos). 47 U.S.C. § 309(j)(4)(D).

CONCLUSION

For the aforementioned reasons, Celsat respectfully requests that the Commission expeditiously allocate 70 megahertz of new 2 GHz spectrum for MSS, adopt a pragmatic competition policy, require BAS incumbents to use more spectrally efficient equipment, and require MSS providers to use CDMA access technology to ensure sharing of the band by the MSS applicants/providers, thereby avoiding mutual exclusivity.

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CERTIFICATE OF SERVICE

I, Peter Hannon, do hereby certify that a true and correct copy of the foregoing Comments was hand-delivered on this 21st day of June 1995 to the following persons:

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